

SUPERVISORY AGREEMENT

OTS Docket No.: 16832

This Supervisory Agreement ("Agreement") is made, as of this 23rd day of FEBRUARY 2004 (the "Effective Date"), by and between Fort Lee Federal Savings Bank, FSB (the "Bank"), a federally chartered savings bank headquartered in Fort Lee, New Jersey, and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, acting through its Northeast Regional Director or his duly authorized designee ("Regional Director").

WHEREAS, as provided by the Home Owners' Loan Act ("HOLA"), the OTS is the primary federal regulator of the Bank, the deposits of which are insured by the Federal Deposit Insurance Corporation ("FDIC") pursuant to the Federal Deposit Insurance Act ("FDI Act"); and

WHEREAS, the Bank, having total assets of less than \$30 million, commenced operations in March 2001, after the OTS, by Order No. 2000-52 dated June 16, 2000, conditionally granted an Application for Permission to Organize the Bank.

WHEREAS, in connection with its supervision of the Bank, OTS has issued a Report of Examination (the "Report of Examination") concerning the examination of the Bank started on July 14, 2003; and

WHEREAS, based on the information in the Report of Examination and other information available to the OTS, the OTS is of the opinion that the Bank has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Bank is subject, (ii) violated a condition imposed in writing by the OTS in connection with its granting of an application, and/or (iii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Bank; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Bank will operate in a safe and sound manner and comply with all applicable laws and regulations; and

WHEREAS, the Bank, acting through its Board of Directors (the "Board"), and without admitting or denying any violations of laws or regulations, has determined to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations and (ii) operate in a safe and sound manner.

NOW THEREFORE, it is agreed as follows:

PART I

1.01. Compliance with Federal Laws, Regulations and Other Regulatory Requirements. The Bank shall comply with the following:

- i) 12 C.F.R. § 560.93 (loans-to-one-borrower lending limitations);
- ii) 12 C.F.R. § 560.101 (real estate lending standards)
- iii) 12 C.F.R. § 560.160 (asset classification, internal loan review, charge-offs, etc.);
- iv) 12 C.F.R. § 560.170 (records for lending transactions);
- v) 12 C.F.R. § 562.1(b) (regulatory reporting requirements);
- vi) 12 C.F.R. § 563.176 (interest-rate-risk-management procedures);
- vii) 12 C.F.R. § 563.180 (periodic reports, including TFR and CMR);
- viii) **12 C.F.R. Part 564 (appraisals)**;
- ix) 12 C.F.R. Part 202 (Equal Credit Opportunity, Regulation B);
- x) **31 C.F.R. Part 500 (foreign assets control regulations, OFAC list review)**; and
- xi) The written conditions set out in OTS Order No. 2000-52 dated June 16, 2000 (approving the application for permission to organize the Bank).

1.02. Business Plan.

(a) The Bank shall implement and adhere to the business plan ("Initial Business Plan") referred to in approval condition #5 in OTS Order No. 2000-52 dated June 16, 2000 (approving the application for permission to organize the Bank).

(b) Within ninety days of the Effective Date hereof, the Bank shall develop and adopt, and thereafter shall implement and adhere to a supplement to the Initial Business Plan that extends such plan through June 30, 2006. The Bank's supplementary plan (the "Business Plan Supplement", and together with the Initial Business Plan, the "Business Plan") must be acceptable to the OTS. The Business Plan Supplement must satisfy the business plan requirements set out in Section 625 of the OTS's Applications Processing Handbook, including (but not limited to) the *pro forma* financial projections required by Part X thereof.

(c) The Bank's Board and officers shall: (i) monitor the Bank's implementation and adherence to the Business Plan, and (ii) timely take all appropriate actions to cause the Bank to operate within the parameters of the Business Plan.

(d) **Except as required by subparagraph (b) hereof, the Bank may not amend its Business Plan (including the Business Plan Supplement) unless the OTS provides the Bank with prior written non-objection to a proposed amendment following prior written notice submitted to the OTS in the manner required by (i) approval condition #5 in OTS Order No. 2000-52, and (ii) Section 630 of the OTS's Applications Processing Handbook and TB 48-19.**

1.03. Enhancement of Bank Management.

(a) **Operations Officer with Audit and Compliance Responsibilities.** The Bank shall take all appropriate actions to hire, as soon as is practical and in any event within 90 days of the Effective Date (or such later date that the Regional Director may permit) an individual to serve as the Bank's Operations Officer. Among other things, the Operations Officer shall have responsibility for

managing the Bank's loan administration in a safe-and-sound manner. In addition, the Operations Officer shall have responsibility for (i) managing the Bank's internal audit function in conformity with Paragraph 1.05 hereof and (ii) for facilitating the Bank's compliance with the Compliance Laws and Regulations (referenced in Paragraph 1.12(c) of this Agreement). The Operations Officer shall stay abreast of changes in the Compliance Laws and Regulations and other related regulatory developments, and manage compliance reviews conducted by Bank staff and/or appropriate outsourcing firms/consultants.

(h) *Hiring Plan and Implementation.*

- i) The Bank's Board shall adopt and cause the Bank to implement a written plan (the "Hiring Plan") for the prompt hiring of a qualified individual to fill the position of Operations Officer. Within thirty days of the Effective Date hereof, the Bank shall submit its Hiring Plan to the OTS's Northeast Regional Office for review and non-objection pursuant to Paragraph 3.01 of this Agreement. To be unobjectionable the Hiring Plan, at a minimum, must include specified action items, assigned tasks, deadlines, and contingency plans.
- ii) By the last business day of each month until the Bank has hired a qualified individual to serve as the Bank's Operations Officer, the Bank's Board shall submit to the OTS a written status report detailing the Bank's efforts and progress in hiring such officer.
- iii) The Bank's actions related to the hiring of the Operations Officer shall be consistent with the restrictions and requirements imposed by Paragraphs 2.02, 2.03, and 2.04 of this Agreement.
- iv) To comply with this Paragraph 1.03, the Bank shall only hire qualified candidates. To be a qualified candidate, the candidate, among other things, must: (i) have a demonstrated successful record of serving as a management official in the banking/thrift industry; and (ii) possess appropriate background, experience and skill sets to promote the safe and sound operation of the Bank in view of the requirements of this Supervisory Agreement and the regulatory concerns identified in the Report of Examination.

(c) *Management Study and Plan.*

- i) Within ninety days of the Effective Date hereof (or such later date as permitted in writing by the Regional Director), the Bank shall submit to the OTS, for review and non-objection, an internal report and an acceptable plan for enhancing management ("Management Study and Plan"), in view of: (i) the required hiring of an Operations Officer, and (ii) the regulatory concerns about the Bank's operations addressed in the Report of Examination. Thereafter, the Bank shall implement the management improvements specified in the Management Study and Plan. The Management Study and Plan shall be developed by a three-member committee of the Board consisting solely of directors who are Independent of Management.¹

¹ For purposes of this Agreement, the phrase "Independent of Management" means that the person: (i) is not an officer, employee or consultant of the Bank, (ii) is not, either by blood or marriage, related to any existing officer of the Bank, (iii) does not currently have a business or professional relationship with any existing Bank director, officer or their attorneys or consultants and (iv) to the extent not inconsistent with the foregoing, meets the criteria set forth at 12 C.F.R. Part 363 and Appendix A thereof.

- ii) The Management Study and Plan shall provide for enhancement of the Bank's management and organization structure by no later than September 30, 2004 and **thereafter throughout the period covered by the Business Plan Supplement. The goal of the Management Study and Plan shall be to cause the Bank to be "well managed" and operated safely and soundly in compliance with 12 C.F.R. §§ 552.6-2 and 563.161 in view of (A) the Operational and Managerial Standards set out in Appendix A to 12 C.F.R. Part 570; and (B) the comments in the Report of Examination. Among other things, the Plan component shall provide for an organizational structure that establishes clear lines of authority and responsibility for implementing and monitoring adherence to Bank policies and procedures (by clearly assigning responsibility for specified areas of responsibility and tasks to specified officers, employees and Board committees as appropriate). In developing the Plan and identifying areas of responsibility, the Bank should consider the OTS publications entitled "Director Information Guidelines" and "Directors' Guide to Management Reports".**
- iii) In connection with the preparation of the Management Study and Plan, the independent Board Committee shall conduct a study of and prepare a written report about, *inter alia*, the following: (A) the effectiveness of the current organizational structure in view of the comments in the Report of Examination, (B) the on-site attendance and cost-effectiveness of the current officers, (C) the need for effective internal controls, including an organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to established policies, and (D) compensation of officers that must **not be unreasonable or disproportionate to the services performed by the members of management.** The Board Committee also shall be guided by: (i) the guidelines on Operational and Managerial Standards in Appendix A to 12 C.F.R. Part 570, (ii) the guidance in Sections 330 and 340 of the OTS's Thrift Activities Handbook, and comments in the Report of Examination.

1.04. Audit Committee.

- (a) Within thirty days of the Effective Date hereof, the Bank's Board shall designate an independent audit committee of the Board ("Audit Committee") comprised of three members who are Independent of Management (as defined above).
- (b) The Audit Committee shall:
 - i) Be directly responsible for the appointment, scope of services, compensation, retention and oversight of the work of any public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or test services for the Bank. Each such public accounting **firm** must report directly to the Audit Committee;
 - ii) Oversee the internal audit function and any outsourcing thereof in a safe-and-sound **manner that conforms to the guidance in OTS Thrift Bulletin No. 81 and Thrift Activities Handbook Section 350** (External Audit).
 - iii) On an ongoing basis, take all appropriate actions so that: (i) the internal audit function (required by Paragraph 1.05 hereof) is staffed with qualified personnel (including employees and/or qualified independent contractors), and (ii) **the Bank's internal audit**

staff receive such ongoing training as is necessary to provide for effectiveness of the internal audit function;

- iv) On no less than an annual basis, monitor and evaluate the Bank's third-party information-technology service provider's performance, system of internal control, and audit function in a manner that conforms to the OTS's guidance at Thrift Activities Handbook Section 341,² OTS CEO Memorandum #133, and Thrift Bulletin No. 82. In connection with this oversight, the Committee shall review appropriate reports about the **third party provider(s) and subcontractors thereof**;
- v) Establish procedures for: (i) the receipt, retention, and treatment of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters;
- vi) **Direct appropriate corrective action by Bank management to address deficiencies** identified by the internal audit function and/or by the Bank's external independent auditors. The Audit Committee shall periodically (and no less than quarterly) report to the Board about the status of such corrective actions, and such reports shall be reflected in the Board's minutes.
- vii) Have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties;
- viii) Have access to appropriate funding by the Bank, as determined by the Audit Committee, in its capacity as a committee of the Board of Directors, for payment of: (i) compensation to any public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank; (ii) compensation to any advisers employed by the audit committee; and (iii) ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties; and
- ix) Perform such other appropriate duties as determined by the Board, after reviewing the guidance set forth at 12 C.F.R. Part 363, Appendix A, ¶ 31.

1.05. Enhancement of Internal Audit Function.

(a) Within 90 days of the Effective Date of this Agreement, the Bank's Board shall adopt and the Bank shall implement written prudent policies and procedures for its internal audit function that conform to: the requirements and guidelines at section II.B. of Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570, and the Interagency Policy Statement on the Internal Audit Function and Its Outsourcing, dated March 17, 2003 (OTS TB 81). At a minimum, such written policies and procedures must satisfy the following requirements:

- i) The internal audit function must be under the supervision of the Operations Officer (required by Paragraph 1.02 hereof). The policies and procedures must assign responsibility for the **day-to-day management of the internal audit function to the Operations Officer.**
- ii) In connection with supervision of the internal audit function, the Operations Officer must report directly to the Audit Committee;

² TAH Section 341 (Technology Risk Controls) was most recently updated in September 2003,

iii) Although internal audit functions may be outsourced, no internal audit functions may be outsourced to the accounting service provider that performs the annual independent audit of **the Bank's financial statements**;

iv) On an annual basis, the Board (or Audit Committee thereof) shall establish in writing, and assure the completion of, an internal audit program conforming with industry best practices that, among other things, addresses all of the Bank's operations and departments and sets out a schedule of assignments. The internal audit program shall be designed to determine:

- (A) Whether the Bank is in compliance with applicable statutes, regulations, and internal Bank policies;
- (B) Whether the internal controls system is working properly;
- (C) Whether all significant deficiencies noted in internal and/or external audit reports have been or are being corrected by management;
- (D) The soundness and adequacy of information systems and of accounting, operating, and administrative controls;
- (E) The effectiveness of internal policies and procedures; and
- (F) The extent to which the Bank's assets are protected against loss.

(b) On no less than a quarterly basis, the Operations Officer shall prepare and submit to the Board (or the Audit Committee) a written report of findings from the internal audit function, and the Board (or the Audit Committee) must review and evaluate each such report; and

(c) The Board (or Audit Committee) shall: (i) direct Bank management to take appropriate corrective action to address deficiencies identified by the internal audit function, and (ii) monitor Bank management's progress in taking such required corrective action.

1.06. Policies on Asset Quality and Classification; Delinquency Reporting.

(a) **Within 60 days of the Effective Date hereof, the Board shall adopt, and the Bank shall implement, a formal written program to identify and classify problem assets ("Asset Classification Program") that satisfies the requirements of: (i) 12 C.F.R. § 560.160; (ii) section II.G. of the Part 570 Safety and Soundness Standards; and the (iii) Interagency Policy Statement on the Allowance for Loan and Lease Losses ("ALLL"), dated December 21, 1993 (OTS Thrift Activities Handbook § 261A).**

(b) To be acceptable, the Asset Classification Program must, among other things, have the following characteristics:

- i) It must be supervised by a qualified Bank officer who: (i) has no independent loan origination or approval authority, (ii) is independent of the appraisal preparation process and (iii) reports directly to the Board or the Audit Committee concerning the program;
- ii) It must ensure the proper identification of assets as "loss", "doubtful", "substandard" or "special mention" (collectively referred to as "Criticized Assets"). Loan classifications shall be based on an assessment of all pertinent factors affecting the likelihood that the loan will be repaid according to its terms;
- iii) It must provide for specification of standards and criteria for assessing *the* credit quality of the Bank's loans and the overall quality of **the** loan portfolio;

- iv) It must provide for the maintenance of an adequate allowance for loan and lease losses to reflect credit risk in the Bank's loan and lease portfolio;
- v) It must ensure the prompt charge-off of loans, or portions of loans, that available information confirms to be uncollectible;
- vi) It must require the identification of any loan which presents any unsafe or unsound banking practice or condition or is otherwise in violation of any applicable law or regulation, including but not limited to the OTS's lending limit/LTOB regulation codified at 12 C.F.R. § 560.93; and
- vii) It must require the submission to the Board, and Board consideration, of written reports on: (A) each classified asset, (B) each loan required to be identified by subparagraph (b)-vi) hereof, and (C) delinquent loans in a Delinquent Loan Report conforming with the requirements of subparagraph (c) below. Such reports shall be submitted and reviewed at least quarterly, to coincide with the preparation of the Thrift Financial Report ("TFR"). The Board's consideration of the reports and any action taken by it in view of such consideration shall be documented in the minutes of the Board's meetings.

(c) The reports to the Board shall conform to the guidance set out in the OTS's *Directors' Guide to Management Reports*. For instance, the Delinquency Report shall conform with the guidance set out at page 18 of said *Directors' Guide* by, *inter alia*, including: (i) a summary of all loans and leases past due 30 to 59 days, 60 to 89 days, and 90 days or more, (ii) a summary of nonaccrual loans, categorized by loan type, (iii) a list of all delinquent loans and leases over \$200,000 or more than 120 days past due, (iv) a summary of all loans and leases over 30 days past due that were originated within the 12-month period preceding the report date, and (v) a summary of all loans with due dates extended.

1.07. Financial Reporting of Past Due Loans and Other Assets.

The Bank must timely and accurately report past due loans, classified assets, ALLL and charge-offs on its TFRs. Except where otherwise permitted by OTS guidance and industry best practices, mortgage loans that are past due 90 days or more shall be placed into nonaccrual status, *i.e.*, the Bank's TFRs and financial statements shall not report interest accruing on such loans. See, *e.g.*, the guidance about TFR Schedule PD and nonaccrual status in the OTS's ~~Thrift~~ Financial Report Instruction Manual.

1.08. Written Credit Administration Policies and Procedures Required.

(a) **Within sixty days of the Effective Date hereof, the Bank's Board shall adopt**, and the Bank shall implement, prudent and detailed written policies and procedures governing credit administration (the "Credit Administration Policy"). The Bank's Operations Officer shall be responsible ~~for~~ **managing the Bank's loan administration system and for facilitating the Bank's** compliance with the Credit Administration Policy.

(b) The Credit Administration Policy shall conform to the requirements of: 12 C.F.R. §§ 560.170 and 560.101 (including the Interagency Guidelines for Real Estate Lending Policies at Appendix A thereof); and section II.C. of the Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570. Among other things, the Credit Administration Policy must establish a loan file and record retention and administration system that is designed to provide for **all** required records,

filings and documents to be retained, reviewed, renewed and updated as appropriate. In furtherance of the above-stated policy objectives, the Credit Administration Policy shall require that:

- i) The Bank's Operations Officer shall have primary responsibility for account management relative to each of the Bank's Major Borrowers. For purposes of this Agreement, "Major Borrowers" are defined as those borrowers whose outstanding aggregate indebtedness to the Bank exceeds \$200,000, after excluding any indebtedness that is secured by a purchase money first mortgage loan on the borrower's primary residence;
- ii) The Bank shall diligently and prudently seek collection of all moneys owed to it with respect to all loans that are past due;
- iii) The Bank's Operations Officer shall be required to use diligent and documented efforts to obtain updated and current financial information with respect to each Major Borrower and information on the condition of property securing any such loan. In evaluating compliance ~~with~~ this subparagraph (b)-iii) and subparagraph (b)-iv), **OTS will consider** the extent to which the Bank has access to such information, through the loan documents or otherwise;
- iv) No less than annually, the Bank's Operations Officer must use diligent and documented efforts, with respect to the Major Borrowers, to: **(A)** conduct annual credit reviews based on current/updated borrower financial information and updated written analyses about loan collateral (inclusive of property cash flow analysis) and **(B)** submit to the Bank's President (or Chief Lending Officer) written reports that concern such analyses and assign a credit grade relative to each of the outstanding credit relationships such Major Borrowers maintain with the Bank; and
- v) The Bank's Operations Officer (**or** one or more Bank employees reporting to such officer) shall be assigned responsibility for ensuring that all appropriate lending-related documents are obtained and placed in the Bank's loan files in accordance with a tickler file system for monitoring **missing and/or required documents**.

1.09. Appraisal Policies and Practices.

(a) Within thirty days of the Effective Date hereof, the Bank's Board shall adopt and the Bank thereafter shall implement written appraisal policies and procedures that conform to the **requirements of 12 C.F.R. Part 564 and the Interagency Appraisal and Evaluation Guidelines** set forth in **OTS Thrift Bulletin #55a** ("Appraisal Policy").

(b) The Appraisal Policy must provide standards governing the acceptance of evaluations of real estate ("Evaluations") that are required by **12 C.F.R. § 564.3(b)**. At a minimum, such Evaluations shall contain all of the information required by OTS's TB 55a in the section entitled "Evaluation content".

(c) When conducting periodic reviews of the quality of work performed by approved appraisers pursuant to **12 C.F.R. § 564.8(c)(3)**, the Bank shall check on the status of the appraiser's: (i) professional licensing and (ii) insurance coverage.

1.10. Liquidity Management.

(a) The Bank must manage its liquidity in a safe-and-sound manner that: (i) conforms to the OTS's guidance at Thrift Bulletin **77**, and (ii) reflects proper consideration of the guidance at **OTS**

Thrift Activities Handbook Section 520 (as most recently amended by RB 32-32). In connection with this, the Bank must implement its established policies and procedures concerning liquidity.

(b) Commencing with the next quarter-end meeting of the Board and thereafter on a quarterly basis, the Board (or its Asset-Liability Committee, "ALCO") shall consider and assess management-generated reports about the Bank's liquidity and funding requirements. The Board's consideration of such reports and any action taken by it in view of such consideration shall be documented in the minutes of the Board.

1.11. Interest-Rate-Risk Management.

The Bank must manage its interest-rate risk in a safe-and-sound manner that conforms to the requirements of 12 C.F.R. § 563.176 and the OTS's guidance at Thrift Bulletin 13a. In connection with this, the Bank must implement its established policies and procedures concerning management of interest-rate risk. By no later than March 31, 2004 and thereafter on a quarterly basis, the Board (or its Asset-Liability Committee, "ALCO") shall consider and assess management-generated reports about the Bank's interest-rate risk, and such reports shall provide the information specified by TB 13a. The Board's consideration of such reports and any action taken by it in view of such consideration shall be documented in the minutes of the Board

1.12. Enhancement of Corporate Governance.

(a) The minutes of meetings of the Board (and of committees thereof) shall be recorded into minute books that use pre-numbered pages. The Bank's corporate Secretary (or Assistant Secretary) **shall timely prepare and sign the approved minutes of all meetings of the Board and of the committees thereof.**

(b) On no less than an annual basis, the Board (or appropriate committees thereof) shall review each of the Bank's policies and procedures and shall re-approve such policies and procedures with such revisions as may be necessary to address changes, including but not limited to changes in **the following: Bank operations, technology, and applicable laws, regulations and regulatory guidance.**

(c) Each member of the Board shall review and become familiar with the corporate governance guidance in the following OTS publications: *Directors' Responsibilities Guide*; *Directors' Guide to Management Reports*; and *Director Information Guidelines*.

1.13. Updating of BSA and OFAC Policies and Procedures.

(a) As soon as is practicable and in any event within thirty days of the Effective Date hereof, **the Bank, by action of its Board, shall adopt and thereafter implement amendments to its Bank Secrecy Act policies and procedures so as to cause such policies and procedures to reflect changes to the Bank Secrecy Act (and the Treasury Department regulations thereunder) brought about by the enactment of the International Money Laundering and Anti-terrorist Financing Act of 2001, Title III of the USA Patriot Act (Pub. L. 107-56), including 31 C.F.R. §§ 103.121, 103.177, and 103.185.**

(b) **As soon as is practicable and in any event within thirty days of the Effective Date hereof,** the Bank, by action of its Board, shall adopt and thereafter implement policies and procedures implementing the applicable requirements of the Treasury Department Foreign Assets Control Regulations, 31 C.F.R. Part 500, and the Executive Order referenced in OTS CEO Letter 149, dated September 24, 2001 ("Executive Order Targeting Terrorist Assets").

1.14. Oversight/Management of Compliance with Consumer-related Laws, BSA & OFAC.

(a) Within 30 days of the Effective Date of this Agreement, the Bqnk's Board shall establish a Compliance Committee of the Board. **The** Compliance Committee shall consist of no fewer than three directors, and a majority of the committee's members must be Independent of Management (as defined above). The Compliance Committee may be the same Board committee as the Regulatory Compliance Committee required by Paragraph **1.15** of this Agreement.

(b) The Compliance Committee must meet at least monthly, maintain written minutes of its meetings, **and** report on its findings and recommendations **at** each meeting of the Bank's Board.

(c) The Compliance Committee shall be responsible for monitoring and assessing the Bank's compliance with the following laws and regulations (collectively the "Compliance Laws and Regulations"): (i) federal consumer protection laws and regulations, including but not limited to: Regulation B (12 C.F.R. **Part** 202), Regulation CC (12 C.F.R. Part 229), Regulation Z (12 C.F.R. Part 226), Regulation **X** (24 C.F.R. **Part** 3500), the OTS's regulations about Privacy of **Consumer** Financial Information (12 C.F.R. Part **573**), the Fair Credit Reporting Act (**5** U.S.C. §§ 1681 *et seq.*), and the other laws and regulations that are the subject of the **OTS's** Compliance Activities Handbook, (ii) the **Bank** Secrecy Act (31 **U.S.C.** §§ 5311 *et seq.*) and the Treasury Department and OTS regulations thereunder (**31** C.F.R. Part **103** and **12** C.F.R. § **563.177**)' and (iii) **31** C.F.R. Part 500 (foreign assets control regulations) and related **OTS** guidance.

(d) On a monthly basis, the Operations Officer shall report to the Board (and/or the Compliance Committee thereof) on, among other things, (i) the status of the Bank's compliance with the Compliance Laws and Regulations, (ii) appropriate corrective actions to address **deficiencies**, and (iii) changes/developments, if any, with respect to Compliance Laws and Regulations relating to the Bank's operations.

1.15. Board Committee Monitoring of Bank Compliance with Agreement, etc.

(a) Within thirty days of the Effective Date of this Agreement, the Bank's Board shall establish a Regulatory Compliance Committee of the Board. The Regulatory Compliance Committee shall consist of no fewer than three directors, and a majority of the committee's members must be Independent of Management. **The** Regulatory Compliance Committee may be the same Board committee as the Compliance Committee required by Paragraph 1.14 of this Agreement.

(b) The Regulatory Compliance Committee must meet at least monthly, maintain written minutes of its meetings, and report on its findings and recommendations at each meeting of the Bank's Board.

(c) **The** Regulatory Compliance Committee shall be responsible ~~for~~ monitoring and assessing the Bank's progress in the following areas:

- i) Compliance with each provision of this Agreement;
- ii) Compliance with the items listed in Matters Requiring Board Attention on pages 3 and 4 of the Report of Examination; and
- iii) Compliance with the other required corrective actions noted in the Report of Examination.

[PartII begins on the next page.]

PART 11

2.01. Asset Growth Restriction for *De Novo* Institution. The Bank shall use its best efforts to cause its quarterly growth in assets and liabilities (as reflected by information on its Thrift Financial Reports) to comply with the targets in the Bank's Business Plan' (including any written revisions thereto submitted to and found unobjectionable by the **OTS**), and, in any event, the Bank's quarterly asset growth shall not exceed the growth contemplated by the Business Plan. Until the Bank **receives OTS's written non-objection to the Business Plan Supplement required by Paragraph 1.02** hereof, the Bank's level of assets shall not exceed the amount reported in its Thrift Financial Report as of December 31, 2003, except as may otherwise be permitted in writing by the Regional Director.

2.02. Review of Board and Management Changes. The Bank shall be and is subject to the requirements and limitations set out in Subpart H of Part 563 of the OTS's regulations (12 C.F.R. §§ 563.550 - .590). Without limitation on such requirements and limitations, this means, among other things, that, except as otherwise permitted by 12 C.F.R. § 563.590, no person shall be appointed to the position of, or be hired as, a member of the Board **or** as a senior executive officer of **the Bank unless -- (i) the Bank (or the individual, if appropriate) previously has filed with the OTS** an appropriate and complete notice pursuant to 12 C.F.R. Part 563, Subpart H; and (ii) the person's commencement of service on behalf of the Bank is permissible under 12 C.F.R. § 563.585 and 12 U.S.C. § 1831i.

2.03. Compensation and Benefit Arrangements. The Bank shall not enter into, renew, extend **or** revise **any** contractual arrangement related to compensation or benefits **with** any director or senior executive officer of the Bank or unless the Bank first -- (i) provides a minimum **of** 30 days advance notice of the proposed transaction and (ii) receives a written notice of non-objection from the Regional Director. For purposes of this Paragraph, the term "Bank" refers to the Bank and any subsidiary the Bank may establish or in which it invests.

2.04. Golden Parachute Restrictions. The restrictions at 12 C.F.R. Part 359⁴ are applicable to the Bank. Without limitation on the generality of the foregoing, this means, *inter alia*, that the Bank shall not make any "golden parachute payment", as that term is defined 12 **U.S.C.** § 1828(k) and in 12 C.F.R. Part 359, except as may be permitted by the aforesaid statutory provision and regulations. See, e.g., 12 C.F.R. §§ 359.4 and 359.6.

[Part III begins on the next page.]

³ The term "Business Plan" is defined at Paragraph 1.02(b) of this Agreement.

⁴ Part 359 concerns "golden parachute payments" and "prohibited indemnification payments".

PART III

3.01. Adoption and Compliance with Required Plans and Procedures.

(a) The plans, policies, and procedures required by this Agreement shall be submitted to the OTS's Regional Office for review and approval/non-objection by the Regional Director (or his designee). The Bank shall submit acceptable plans, policies and procedures to the Regional Office by the required due dates or within the required time-periods. The plans, policies and procedures shall be sent to:

Mr. Robert C. Albanese
Regional Director
Office of Thrift Supervision
10 Exchange Place, 18th Floor
Jersey City, New Jersey 07302

with a copy sent to Mr. Martin J. Lavelle, Assistant Director, at the above-identified address. With respect to any plan, policy or procedure that is timely filed and prepared with reasonable diligence by the **Bank**, but nevertheless requires modification to **accommodate** input **by OTS** occurring after the due date, no violation of this Paragraph 3.01(a) will be found to exist for so long as the Bank: (i) makes diligent and good faith efforts to incorporate such modifications and (ii) complies with subsequent OTS direction Concerning the due dates for implementing such modifications.

(b) The Bank, pursuant to resolutions duly adopted by its Board, shall adopt the approved plans, policies, and procedures within twenty-one (**21**) days of written approval or non-objection **by** the Regional Director (or his designee) and then shall fully implement and comply with them.

(c) During the term of this Agreement, the approved plans, policies, and procedures shall not be amended or rescinded without the prior written approval of the Regional Director (or his designee).

3.02. Compliance with Agreement. Immediately and on an ongoing basis, the Bank's Board shall take all appropriate actions to cause the Bank to comply fully with the terms of this Agreement.

3.03. No Derogation of Board Responsibility. Notwithstanding the requirements of this Agreement that the Bank's Board submit various matters to the OTS for the purpose of receiving regulatory approval, non-objection or **notice** of acceptability, **such** regulatory oversight does not derogate or supplant each individual Board member's continuing fiduciary **duty** to the Bank. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Bank at **all** times.

3.04. Definitions. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by **the provisions of this Agreement shall, insofar as applicable,** have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act ("HOLA"), the FDI Act, or published OTS guidance (including the Thrift Activities Handbooks and Memoranda). **Any** such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, **FDI** Act, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

3.05. Successor Statutes, Regulations, Guidance, Amendments. Reference in this Agreement to provisions of federal laws, regulations, and OTS Memoranda shall be deemed to include

references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

3.06. Time Limits. Time limitations for compliance with the terms of this Agreement run from the Effective Date unless otherwise noted.

3.07. Rules of Interpretation; Separability.

(a) Nothing in this Agreement shall be construed as allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject.

(b) The paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the OTS determines otherwise in the exercise of its discretion.

3.08. Integration Clause: Relationshiu to Other Regulatory Actions.

(a) This Agreement represents, as of the Effective Date, the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date.

(b) The terms of this Supervisory Agreement supersede the requirements and restrictions set out in the Supervisory Directive dated September 23, 2002 that the OTS sent to the Bank's Board. The OTS's acceptance of this Supervisory Agreement does not in any way relieve the Bank of its obligations – (i) to comply fully with the Bank's Business Plan submitted to the OTS in connection with its Application for Permission to Organize, and (ii) to comply fully with its responsibilities to take other corrective actions brought to the Board's attention in the Report of Examination.

3.09. Successors In Interest/Benefit. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, expressed or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

3.10. Enforceability of Agreement: Director Attestation. The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of the Bank. Each director signing this Agreement at Appendix A hereof attests, by such act, that she or he, as the case may be, voted in favor of the Board resolutions (copies submitted to the OTS herewith) authorizing the execution of this Agreement by the Bank.

3.11. Effective Date: Duration: Termination or Suspension of Agreement. This Agreement shall be effective and enforceable as of the Effective Date, which date appears on the first page of this Agreement. This Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting by and through its Regional Director or other authorized representative. The OTS may suspend any or all provisions of this Agreement by providing written notice of such action to the Bank.

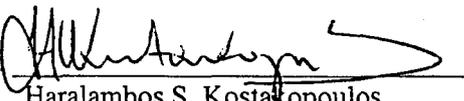
3.12. No Bar or Estoppel. The provisions of this Agreement shall not bar, estop or otherwise prevent the OTS from taking any other action (including, without limitation, any type of supervisory, enforcement or resolution action) affecting the **Bank** or **any** of its current or former institution-affiliated parties.

3.13. Statutory Basis for Agreement. This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act, **12 U.S.C. § 1818**.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement.

FORT LEE FEDERAL SAVINGS BANK, FSB

OFFICE OF THRIFT SUPERVISION

By: 
Haralambos S. Kostakopoulos
President & Director

By: 
Robert C. Albanese
Regional Director

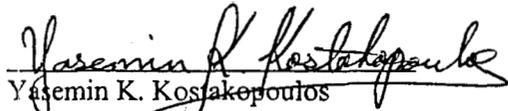
Date: FEBRUARY 23rd, 2004

Date: The Effective Date (above)

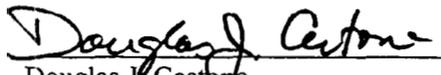
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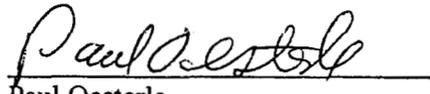
ADDENDUM A

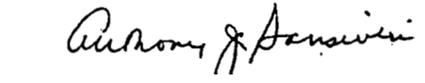
Each of the undersigned individuals, being directors of Fort Lee Federal Savings Bank, FSB, acknowledges that he/she has read the foregoing Supervisory Agreement and has voted in favor of a Board resolution authorizing the Bank to execute the Supervisory Agreement.


Yasemin K. Kostakopoulos
Chairman of the Board


Haralambos S. Kostakopoulos


Douglas J. Cestore


Paul Oesterle


Anthony J. Sansiveri